

VZCZCXYZ0001
RR RUEHWEB

DE RUEHAS #0889/01 2741344
ZNY CCCCC ZZH
R 011344Z OCT 09
FM AMEMBASSY ALGIERS
TO RUEHC/SECSTATE WASHDC 7951
INFO RUCNMGH/MAGHREB COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L ALGIERS 000889

SIPDIS

DEPT PASS TO USTR PBURKHEAD

E.O. 12958: DECL: 09/30/2019
TAGS: [ETRD](#) [ECON](#) [PREL](#) [AG](#)
SUBJECT: COMMERCE MINISTER SAYS ALGERIA SERIOUS ABOUT WTO,
AND NEW INVESTMENT OBSTACLES

Classified By: Ambassador David D. Pearce; reasons 1.4 (b) and (d).

11. (C) SUMMARY: Commerce Minister El Hachemi Djaaboub told USTR Director for the Middle East and Europe Paul Burkhead on September 28 that WTO accession is still a priority and Algeria looked to the U.S. for support in its efforts to complete negotiations. Djaaboub nevertheless defended new rules that increase controls on foreign investment and imports, arguing the country's right to protect key domestic industries and respond to unique political and social conditions. He downplayed the concerns of foreign investors and noted that in the case of the ban on pharmaceutical imports, restrictions were limited to medication produced domestically. Burkhead said that many of these new rules were contrary to WTO accession. He suggested an informal meeting in Washington to take stock of Algeria's WTO efforts and to revive the 2001 TIFA framework as a forum to discuss bilateral trade and investment issues. Djaaboub welcomed both ideas and offered Algiers as a venue as well. Djaaboub said that Algeria remained open to foreign investors. While he did not rule out revisions to the investment rules at some point, he cautioned that Algeria's interests would always come first. END SUMMARY.

U.S. A KEY PARTNER

12. (C) Commerce Minister El Hachemi Djaaboub told USTR Director for the Middle East and Europe Paul Burkhead that Algeria viewed the United States as its number one commercial partner. Djaaboub said that bilateral commercial engagement was improving, a U.S. - Algeria business council existed and several commercial agreements were in play. He said Algeria and the U.S. should reinforce commercial ties, but added that U.S. support for Algeria's WTO accession was still in question. Djaaboub told Burkhead that Algeria started WTO negotiations 13 years ago and the government believed that it had met the organization's basic requirements for membership.

He said U.S. political support for Algeria's membership was necessary to ensure his country's negotiation efforts succeed.

13. (C) Burkhead agreed that our commercial ties had grown, noting that many U.S. companies had operations in Algeria and many more U.S. investors were interested in the Algerian market. Thus it was important to foster a cooperative bilateral commercial relationship. Burkhead underscored our interest in seeing Algeria's economy grow, diversify and integrate into world markets. Becoming a member of the WTO was important step in this process, and the U.S. was willing to be a partner in helping Algeria achieve this goal. Burkhead cautioned, however, that recent changes in Algeria's investment rules had made a negative impression on U.S. investors and contradicted basic WTO principles. U.S. firms see economic opportunities in Algeria, he said, but they

express concern over uncertainties in the regulatory environment. Furthermore, the investment rules codified in the 2009 complementary finance law (CFL) and the January ban on pharmaceutical imports created potential obstacles to WTO negotiations.

14. (C) Djaaboub agreed that changing laws and lack of transparency hindered trade and investment. Algeria's economic transition, he said, required the government to adopt more open investment rules, but it also required the government to consider opponents of such policies. Djaaboub said certain economic sectors are not prepared to compete in a free market economy and need more time to adjust to new circumstances. Algeria also faced the legacy of a centralized, command economy. Yet he claimed that foreign firms were adapting to the new institutional arrangements, and Algeria was working to ease conditions for "our allies." Djaaboub said that Algeria sought the same level of commercial support that the U.S. gives Morocco and Tunisia. He took note of the concerns U.S. firms about the CFL, but defended Algeria's right to protect infant industries and make them more competitive. Djaaboub also argued that many WTO member countries have restrictions similar to the 30 percent partnership rule for foreign import companies. In its WTO negotiations, Algeria might seek recognition of this measure as an exception.

15. (C) The Ambassador interjected that the Embassy was working hard to increase bilateral commercial exchanges. President Bouteflika, the Ambassador recalled, expressed his desire to see more economic cooperation outside of the hydrocarbons sector, an interest we share. Critics of foreign direct investment (FDI), the Ambassador argued,

tended to focus narrowly on how investment profits are divided. However, FDI brings other important benefits such as the creation of infrastructure and knowledge transfer that strengthen the economy as a whole. Djaaboub clarified that the government recognized the value-added FDI contributes. He said Algeria needed foreign expertise and some competition, he admitted, would give Algerian companies an incentive to produce better, more affordable products for citizens.

PHARMA BAN HERE TO STAY

16. (C) Djaaboub said pharmaceutical imports reached 1 billion dollars in 2008. The government's goal was to eventually rely 100 percent on domestic production, at least for generics. The ban aimed to protect Algeria's infant pharmaceutical industry while keeping the door open to imports of drugs not produced here. Burkhead warned that Algeria's policy could have a lasting negative impact on Algeria's investment climate. Djaaboub brushed aside the criticism, saying that the ban would encourage investors to come to Algeria. The ban applied only to medications produced domestically, predominantly generics. Foreign companies, including U.S. firms, continued to export to Algeria ingredients used by Algerian producers, he added. Djaaboub concluded by acknowledging the importance of protecting intellectual property rights for pharmaceuticals.

TAKING STOCK OF WTO PROGRESS, TIFA

17. (C) Burkhead, in turn, acknowledged that WTO negotiations were long and complicated, and that they increase in difficulty as more time goes by. Burkhead said the U.S. shared Algeria's goal of moving forward on WTO, but no progress had been made in the past year. Burkhead suggested an informal meeting in Washington to take stock of prior bilateral and multilateral WTO negotiations, and discuss steps to move forward. Djaaboub agreed and offered Algiers as a venue for the meeting as well. In addition to WTO, Burkhead proposed reviving the 2001 Trade and Investment Framework Agreement (TIFA) as a forum for discussing specific bilateral commercial interests. Djaaboub agreed that we

could take better advantage of the TIFA framework and said
his door was open to dialogue.
PEARCE